

MEMORANDUM OF UNDERSTANDING

MEMORANDUM OF UNDERSTANDING made this \_\_\_\_\_ day of \_\_\_\_\_, 195\_\_\_\_, between the United States Government (hereinafter referred to as the "Government") as represented by the Contracting Officer executing this MEMORANDUM OF UNDERSTANDING; the Government Employees Health Association (hereinafter alternately referred to as the "Association" and "Group Treasurer"); and Group Hospitalization, Inc. and Medical Service of the District of Columbia (hereinafter referred to as the "Corporation"). WITNESSETH THAT:

WHEREAS, the Government is desirous of fostering the establishment of a hospitalization and surgical service program which will afford substantial protection to its employees against burdensome medical expenses, subject always to the recognition of certain conditions required in the national interest and constituting a part of the consideration hereof;

WHEREAS, the Association is a government--employee organization possessing adequate facilities which it is willing to provide for the administration and supervision of a hospitalization and surgical service program; and

WHEREAS, the Corporation is willing to undertake such hospitalization and surgical service program through the mechanism of the Association, subject to certain conditions herein specified,

NOW, THEREFORE, THE PARTIES AGREE AS FOLLOWS:

ARTICLE I. Statement of Principle

A. The parties hereto acknowledge that the interest of the Government shall be paramount to the interests of all other parties in areas involving security considerations. It shall be the exclusive right of the Government to determine the existence of such areas and to require deviation from normal administrative procedure as hereinafter set forth.

B. The Government hereby initially determines and the Corporation agrees that three of its officers shall be cleared for security and shall sign secrecy agreements in connection therewith. Unless and until the parties mutually agree that other persons in the Corporation must be knowledgeable, no further information of this MEMORANDUM OF UNDERSTANDING (hereafter called "MEMORANDUM") or the contents thereof shall be disclosed. By the execution of this MEMORANDUM, the Corporation hereby initially designates \_\_\_\_\_ and \_\_\_\_\_ as the authorized representatives of the Corporation to conduct business transactions required under this Agreement.

ARTICLE II. Contract between Member of the Association and the Corporation.

A. Hospital Service and Surgical Service Certificates and the application to the Corporation of members of the Association (hereafter called "subscribers") including any amendments or riders to either, shall constitute the contract between the subscribers and the Corporation, and shall be determinative of all benefits covered thereunder. Any terms or provisions of this MEMORANDUM which are inconsistent with the contract as constituted above shall be considered authorized changes or waivers and equivalent to an approved rider or endorsement of the contract as above constituted.

ARTICLE III. Administration of Program.

A. General. There shall be two classes of subscribers, Group A and Group B. Group A subscribers shall be deemed to include subscribers whose hospital and surgical claims may be paid by the Corporation through its established mechanisms. Group B subscribers shall be deemed to include subscribers whose claims must be administered as provided in subparagraph B(3) hereof. In general, records will be retained in the custody and control of the Association and the Corporation shall have the right to obtain information necessary for processing purposes.

B. Central Administration. The Association shall undertake the central administration of the projected program for servicing employees with the insurance made available by the Corporation. Pursuant to this responsibility, the Association will establish organizational divisions which shall operate as regional collection points. The Association or its designee will establish itself with the Corporation as the central collection service for the aforesaid organizational divisions.

(1) Application Procedure. Normally, application shall be accomplished by completing the Corporation's subscriber's application form with disclosure of all information normally required thereby. Where security considerations are paramount as determined by the Government, pursuant to ARTICLE I hereof, the completion of the subscriber's application form may be accomplished by number, by pseudonym, by alias, or by any other method satisfactory to the parties hereto. Identification cards shall be issued as appropriate.

(2) Collection. The Association shall be responsible for the collection of all premiums from the aforesaid regional collection points, and the monies so collected shall be transmitted to the Corporation in accordance with established schedules. The Association shall prepare monthly billing invoices, listing the subscribers, where appropriate, assigned to each of the aforesaid organizational divisions. Said invoices shall be transmitted to an addressee to be approved by the Government. Subsequent to collection, the Association will transmit premiums collected to the Corporation.

(3) Settlement. The Corporation acknowledges and agrees that the administration of Group B subscribers is in fact a reimbursement operation, subject to the benefits, limitations, and conditions of the contract as previously defined in the Hospital Service and Surgical Service Certificates. Normally, all supporting documents, such as hospital room charges, surgical charges, doctor bills, and miscellaneous expenses shall be forwarded to the Corporation in support of the proof of loss. The Government reserves the right to determine, in the event of security considerations, that the papers and documents in support of the proof of loss should not be forwarded to the Corporation. In such event, the Association will certify the amount concerned to the Corporation. Where supporting papers are not forwarded in support of proof of loss, it shall be the responsibility of the Association to maintain full information concerning the claimant and related expenses. The Corporation shall have the right to audit such accounts in the facilities of the Association. Where claims are processed in the aforesaid non-conventional manner, the Corporation shall remit a check payable to the Association or its designee, which shall be responsible for transmittal and payment of the proceeds to the claimant. The Association hereby acknowledges that it is authorized to receive such checks for and on behalf of such claimant and hereby agrees to hold the Corporation harmless from the claims of such claimants to the extent of the payments so made.

(4) Maintenance of Records. Where conventional administrative procedures cannot be applied because of security reasons, it is understood and agreed that substantial evidence in support of claims thereof will be acceptable. It is recognized and agreed that the mandatory use of forms supplied by the Corporation would be undesirable or impracticable for selected members of the Association. In this connection, said members will be instructed with respect to the constitutive elements of substantial evidence as used herein to the end that there shall be compliance with the provisions of the Hospital Service and Surgical Service Certificates in basic content.

ARTICLE IV. Assurances by Corporation.

A. Upon the execution of this MEMORANDUM, the Corporation agrees as follows:

(1) That it will accept applications from present and new employees of the Government agency concerned without regard to the usual mandatory percentage of enrollment;

(2) That the Government will not be required to certify that the numbers covered will meet any specified percentage of total Agency strength;

(3) That the filing system of the Corporation shall not reflect the specific Agency involved nor its interests;

(4) That, if determined to be necessary by the Government, applications, issuance of identification cards, collections, and settlements will be accomplished by other than conventional administrative procedures.

(5) That information of this MEMORANDUM shall be restricted as provided in ARTICLE I hereof.

ARTICLE V. Specific Exceptions.

A. It is understood and agreed that the definition of words and terms as used in the contract between the members of the Association and the Corporation shall carry the meaning intended in the Hospital Service and Surgical Service Certificates, subject to the following emendation and amplification of ARTICLE III, B.(3) and (4).

(1) Non-participating Hospital. It is recognized that medical treatment or facilities in some areas of the world may not be on a parity with those provided by hospitals registered by the American Medical Association. In such event, available hospital treatment or facilities shall operate as standard.

(2) Diagnosis and Medical Treatment. The agreement by the member or employee to furnish the Corporation at any time upon its request any and all hospital information and records is subject always to the prior right of the Government to determine the availability thereof.

(3) Waiting Period. All members in good standing of the Association who transfer their policies to the Corporation will have the prescribed waiting periods waived for all cases, with the exception of obstetrical cases as hereafter stated, provided their membership has been in effect for more than ten months. In the event that the period of membership is less than ten months, that portion of the waiting period will be waived which is equivalent to the period of membership in the Association, including obstetrical cases.

ARTICLE VI. Effect of MEMORANDUM as Rider or Endorsement of Subscriber's Policies.

This MEMORANDUM, upon execution, shall be considered to be a rider or endorsement of the contracts concerned to the extent that it affects any conditions, provisions, or terms thereof.

ARTICLE VII. Corporation's Copy of Contract.

It is understood and agreed that an executed copy of this MEMORANDUM shall be made available at any time to the aforesaid cleared representatives of the Corporation or to such representatives of the Corporation as may be cleared from time to time as provided in this MEMORANDUM. Said copy shall be placed in the files of the Corporation in such fashion that it will be available only to the three aforesaid representatives of the Corporation or such other representatives of the Corporation as the Government may from time to time approve.

ARTICLE VIII. Termination.

*JHR*  
This MEMORANDUM shall be effective for one year from the date of execution subject to the right of either party to cancel this MEMORANDUM by giving three calendar months prior written notice to the other. ~~This MEMORANDUM may be renewed at the option of the Association by giving thirty days advance notice to the Corporation. And shall continue on the same terms and conditions, if not as may otherwise be agreed under Article IX hereof.~~

ARTICLE IX. Statement of Intention.

It is the intention of the Corporation and the Association to consider the effect in possible savings resulting from the centrally administered insurance program. It is acknowledged at this time that the absence of information and lack of experience by the Association precludes any definitive arrangements with the Association in relation to cost-sharing or rate reduction. In order to effectuate this statement of intention, the Corporation and the Association will cooperate by a mutual exchange of information for the period concerned.

IN WITNESS WHEREOF, the parties hereto have hereunto set their hands and seals the day and year first above written intending to be legally bound thereby.

*Long Hospitalization, Inc.*  
*Witnessed by the District of Columbia*

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